

New report connects U.S. leadership with foreign assistance

Is the United States in danger of relinquishing its leadership in the global arena? That may be the case, according to the Business Alliance for International Economic Development, a coalition of for-profit firms committed to educating the American public, elected officials and the wider business community about the connection between international economic assistance programs and the expansion of U.S. exports.

In a new Business Alliance report released in July — “Global Markets and Foreign Assistance: Is the United States Losing Ground?” — the coalition examines the foreign assistance programs of three of the United States’ biggest economic competitors—Japan, France and Germany—and argues that because these nations spend more on their aid programs, they are reaping greater profits in trade and economic influence.

Despite the fact that the United States has a larger economy than its three biggest competitors, the U.S. investment in foreign assistance, as a share of the country’s gross national product, ranks last among all industrialized countries.

The report questions why Americans don’t recognize the value of foreign aid in creating jobs at home and developing business opportunities overseas.

“The United States cannot shape a world in which it is not involved,” the

report states. Pointing out the declining U.S. foreign aid levels over the past decade, the Business Alliance recommends that the United States increase its investment in foreign aid to \$18 billion in order to stay competitive with nations like Japan, France and Germany.

Japan, which is the largest bilateral donor in nearly 50 countries around the world, makes its foreign assistance program a key instrumental tool in fostering trade relations.

France’s \$8.4 billion assistance package surpassed that of the United States in 1995. The report claims that France’s primary motivation behind its foreign assistance program is to maintain its cultural connections around the globe. “Anywhere French is spoken, the French deem their interests to be at stake,” the report explains. For example, sub-Saharan Africa receives more than one-half of all French bilateral assistance.

Germany remains committed to its foreign assistance program largely for economic and humanitarian reasons, the report states. With the ongoing reunification process, Germany recognizes that much of its assistance is going to help people who are essentially in their backyard in Central and



Eastern Europe and the New Independent States of the former Soviet Union. Although its economy is one-third the size of the United States’, Germany’s assistance program ranks higher.

“The German government understands that investing in a fledgling market economy today creates a viable trading partner tomorrow,” the report says.

“Where critics of foreign assistance see wasted dollars, America’s global competitors see potential. The benefits of foreign assistance are too many—and the losses from inaction too great—to hesitate,” the report emphasizes.

For copies of the report, contact the Business Alliance for International Economic Development, 601 13th Street, N.W., Suite 900-South, Washington, D.C. 20005. Phone: (202) 783-5588. Internet: <http://www.milcom.com/alliance/>.

USAID



UNITED STATES AGENCY
FOR INTERNATIONAL
DEVELOPMENT

Forging public/private partnerships to support USAID's global mission

USAID's Office of Business Development is creating valuable ties with state trade organizations (see box) and the private sector to support USAID's global mission.

Fostered by the successful efforts of USAID and other donors in laying the foundation for economic growth over recent decades, a growing number of developing countries now rank among today's fastest-growing economies. This, in turn, has opened new markets for U.S. products and services and created new jobs for American workers.

"The clearest evidence that U.S. foreign assistance is good for U.S. business," according to Henry Merrill, director of the Office of Business Development, "is the fact that U.S. exports to developing countries have more than doubled between 1974 [\$91 billion] and 1995 [\$242 billion] and continue to grow."

Within the Office of Business Development, the Global Technology Network (GTN) helps facilitate transfer of U.S. technology and expertise to USAID-assisted countries by matching developing country trade leads with U.S. firms in GTN's extensive database. GTN, through its Center for Trade & Investment Services (CTIS), also provides counseling services and market information to U.S. firms. Since 1992, CTIS has provided market information and business counseling to more than 11,000 companies. Together, these two programs are helping U.S. small and medium-size enterprises access both USAID and other international procurement opportunities.

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Domestic Business Outreach Offices

In 1992, USAID's Office of Business Development established its first domestic business outreach office in California to increase participation of U.S. companies, academic institutions, state agencies and local economic development organizations in USAID's international development process. Since then, a second field office has opened in Illinois, and a third is due to open soon in Florida. The latter will be closely linked with Programa Bolivar, an international trade and investment promotion organization with offices throughout Latin America.

To further expand USAID's collaboration with the U.S. business community, the Office of Business Development is seeking to formalize partnerships with various state trade promotion organizations. Modeled after a 1996 Memorandum of Understanding with the state of Maine, steps are being taken to establish similar arrangements with other states. States already participating include Virginia, South Dakota, Delaware, California, Tennessee and Montana.

Under these partnership agreements, USAID provides state trade offices with access to market and trade lead information, business and professional linkages with USAID-assisted countries, technical support for in-state trade promotion conferences and workshops and partnership networks to increase trade-related opportunities for local businesses.

For their part, the state trade promotion offices assist local firms in competing for USAID procurement and other opportunities, disseminate information to their business constituents on USAID programs and serve as a business outreach facility in support of USAID's international development efforts. Both USAID and the states gain from this effective win-win collaboration.

For additional information, contact Henry Merrill, USAID, G/EG/BD, Washington, D.C. 20523.

The GTN-based Environmental Technology Network for Asia, for example, matches U.S. firms with Asian environmental trade leads under USAID's US-Asia Environmental Partnership program. With more than 2,000 environmental businesses registered in GTN, it represents one of the most comprehensive sector databases available.

As a measure of GTN's effectiveness, approximately \$30 million to \$50 million in new business for U.S. environmental firms resulted from

the program over three years — while at the same time transferring much-needed technologies to help developing countries improve their public services and industrial growth regarding water/ wastewater, solid waste and air pollution.

With its success in the environmental field, GTN is expanding into other sectors where U.S. private enterprise can transfer technology and expand U.S. markets in agribusiness, health, population, communication and information technology.

Hillary Clinton praises USAID's Microenterprise Initiative

At a congressionally hosted ceremony in the House International Relations Committee room on Capitol Hill July 24, first lady Hillary Rodham Clinton spoke to a packed room on the importance of continuing USAID's successful microenterprise activities.

Mrs. Clinton, who has long been a supporter of small loans for women and the poor, hailed the program as "one of the strongest tools we can employ to assist people using their own effort."

Mrs. Clinton has had firsthand experiences in visiting USAID microenterprise activities during her trips to Africa and Latin America. She was a participant at the Microcredit Summit earlier this year in Washington along with five heads of state and 3,000 participants from 137 countries. The summit set a goal of combining international efforts to reach 100 million of the world's poorest families with microfinance in the next nine years.

The Hill event was hosted by Reps. Benjamin Gilman (R-N.Y.) and Sam Gejdenson (D-Conn.). USAID Administrator Brian Atwood and Microenterprise Coalition co-chairs Maria Otero of ACCION and Lawrence Yanovitch of FINCA participated in the special ceremony. More than a dozen other members of Congress were present and were recognized for their support of the microenterprise program. A declaration renewing USAID's Microenterprise Initiative was signed by the participants.

The Microenterprise Initiative, which was highly praised by all the



First lady Hillary Clinton and Rep. Benjamin Gilman hold the signed declaration renewing USAID's successful Microenterprise Initiative. Also participating in the signing were Rep. Sam Gejdenson (center) and USAID Administrator Brian Atwood (right).

participants, typically provides small loans to poor people overseas to enable them to start their own business. The USAID program provides for \$240 million during fiscal years 1997 and 1998 for microenterprise activities. This amount is greater than any given by any other bilateral donor.

"We are expanding our commitment to Africa and the newly independent countries of Eastern Europe and Central Asia," Atwood told the audience. He pledged that USAID would ensure that at least half of the microenterprise clients of the institutions the agency supports are women and that at least two-thirds of the clients receive loans of less than

\$300. He also set a target for an average growth of 15 percent per year in the number of clients served by USAID-supported microfinance programs.

"This initiative is a wonderful example of partnership between the president and Congress, between USAID and its NGO [nongovernmental organization] partners and between Democrats and Republicans," Atwood said. "This is truly an American initiative that reflects our values."

For more information on the Microenterprise Initiative, contact Elisabeth Rhyne, director of the Office of Microenterprise Development, G/EG/MD. Phone (202) 712-0030.

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Spotlight on Missouri and Pennsylvania

The principal beneficiary of America's foreign assistance programs has always been the United States. Close to 80 percent of USAID's contracts and grants go directly to U.S. firms, organizations and institutions for work overseas.

In addition to helping developing countries, foreign assistance programs have helped the United States by creating major markets for agricultural goods, new markets for industrial exports and hundreds of thousands of jobs for Americans.

Two examples of states benefiting from the U.S. foreign aid program:

Missouri

USAID grants and contracts in Missouri from Oct. 1, 1995, to Sept. 30, 1996, totaled \$48 million.

In supporting Missouri agriculture, USAID purchased about \$43.3 million of wheat, rice, feedgrains, soybeans, cotton and other agricultural goods for use in Food for Peace programs in 1993.

Transportation and handling of USAID food and other aid generated \$10 million in 1993 in port services and ocean transportation charges for companies headquartered in Missouri.

In 1994, USAID sponsored 211 foreign participants training at Missouri universities and educational facilities, usually including full tuition and living allowances. The program sponsored 270 students in 1995 and 241 students in 1996.

Separate USAID programs in Egypt and Jordan financed \$4.4 million in purchases from Missouri companies in 1993; \$826,933 in 1994; and \$3.2 million in 1995.

Pennsylvania

USAID grants and contracts in Pennsylvania from Oct. 1, 1995, to Sept. 30, 1996, totaled \$135 million.

In 1993, USAID purchased about \$2.5 million of Pennsylvania wheat, soybeans and other agricultural products for use in food aid programs.

Transporting and handling of USAID assistance generated \$8.7 million in fees for port services and transportation charges for companies headquartered in Pennsylvania in 1993. In 1994, transporting and handling food and other aid brought \$17.1 million to Pennsylvania. In 1995, Pennsylvania firms received \$8.7 million for foreign aid transportation services. Revenues were \$832,727 in 1996.

In 1994, USAID sponsored 622 foreign participants training at Pennsylvania universities and educational facilities, usually including full tuition and living allowances. The 1995 program sponsored 617 students; in 1996, 387 students were able to attend higher educational institutions in Pennsylvania with USAID help.

USAID programs in Egypt and Jordan financed \$10.7 million in purchases from Pennsylvania companies in 1993; \$3.9 million in 1994; and \$8.6 million in 1995.



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